

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 L-03 AGR-20 CIAE-00 COME-00 EB-11

INR-10 LAB-06 NSAE-00 RSC-01 SP-03 STR-08 TRSE-00

SWF-02 CIEP-02 OMB-01 DODE-00 PA-04 USIA-15 PRS-01

TAR-02 AID-20 FRB-02 XMB-07 OPIC-12 SIL-01 DRC-01

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FM AMCONSUL LAHORE

TO SECSTATE WASHDC 9947

INFO AMEMBASSY ISLAMABAD

AMCONSUL KARACHI

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E.O. 11652: N/A

TAGS: EIND, ETRA, PK

SUBJECT: SALES PROBLEMS OF TEXTILE INDUSTRY

REF: KARACHI 0703

1. MIAN SHAHZADA MONNOO, MANAGING DIRECTOR OF MONNOO TEXTILE MILLS AND CHAIRMAN OF ALL PAKISTAN TEXTILE MILLS ASSOCIATION (APTMA), DISCUSSED FINANCE MINISTER HASAN'S COMMENT (REFTEL) WITH ME MARCH 30. MONNOO DID NOT RPT NOT VIEW HASAN'S REMARKS AS INDICATION OF FORTHCOMING NATIONALIZATION OF TEXTILE INDUSTRY. MOREOVER, HE BELIEVED GOVERNMENT WOULD EVENTUALLY BACK DOWN SINCE IT WAS IN BASICALLY UNTENABLE POSITION.

2. EXPLAINING, MONNOO (WHO WAS JOINED -- AND SECONDED -- BY MIAN TAJAMMAL HUSSAIN OF CHENAB TEXTILE MILLS) SAID THAT GOP WOULD SOON SEE THAT WORLD PRICES OF COTTON YARN ARE NOT LIMITED OFFICIAL USE

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GOING UP. SINCE YARN EXPORTERS WOULD NOT SELL AT LOSS,

GOVERNMENT WOULD BE FORCED BY NEED FOR FOREIGN EXCHANGE AND REVENUES TO LOWER EXPORT DUTY. HOWEVER, HE REVEALED THAT, IN PRIVATE TALK WITH FINANCE MINISTER IN KARACHI, HASAN ARGUED THAT, SINCE TEXTILE MANUFACTURERS MADE "HUGE PROFIT" IN 1973, THEY SHOULD BE WILLING TO ABSORB PRICE CUTS IN 1974.

3. MONNOO COMPLAINED THAT GOVERNMENT WANTED TO HAMI ITS CAKE AND EAT IT TOO; HOWEVER GOP COULD NOT CONFISCATE YARN OR FORCE MANUFACTURERS TO SELL AT LOSS, AND URGENCY OF GOP DESIRE FOR FOREIGN EXCHANGE AND REVENUES WOULD SOON FORCE HASAN TO CHANGE HIS TUNE. MONNOO CONCEDED THAT MANUFACTURERS HAD (AS NOTED BY HASAN) BOUGHT COTTON AT VERY HIGH PRICES BECAUSE OF FLOOD SCARE. HOWEVER, HE MAINTAINED, WHAT WAS DONE WAS DONE; COTTON FARMERS HAD BENEFITTED AND NOW YARN MANUFACTURERS WANTED TO SELL THEIR PRODUCTS FOR MINIMUM PROFIT.

4. GOP-CONTROLLED PAKISTAN TIMES RAN LEAD EDITORIAL MARCH 30 ENTITLED "ARTIFICIAL CRISIS" WHICH COMPLAINED THAT IT HAS BECOME CUSTOMARY" FOR TEXTILE MILL OWNERS TO

CRY WOLF" AND THREATEN TO GO OUT OF BUSINESS "AT REGULAR INTERVALS" UNLESS GOVERNMENT BOWED TO THEIR DEMANDS. EDITORIAL IGNORED APTMA ARGUMENTS THAT MILL OWNERS HAD PAID HIGH PRICES FOR COTTON, AND CALLED FOR "TEXTILE BARONS" TO MARKET LOCALLY "PILED-UP STOCKS" OF YARN AT PRICES POOR PAKISTANIS COULD AFFORD. NOTING THAT MILL OWNERS CLAIMED PRICES OF COTTON YARN HAVE DROPPED ABOUT 30 PERCENT IN INTERNATIONAL MARKET, EDITORIAL ASSERTED THAT IT IS CONSEQUENTLY INCUMBENT UPON MILL OWNERS TO BRING DOWN PRICES IN LOCAL

MARKET. "SHOULD THE TEXTILEMAGNATES IGNORE THESE FACTS AND ONLY THINK OF UNETHICAL PROFITEERING, THE PEOPLE'S GOVERNMENT MAY HAVE NO OPTION LEFT EXCEPT TO EXPAND SOCIAL CONTROL OVER THE INDUSTRY AS A FIRST STEP TOWARDS ITS ULTIMATE NATIONALIZATION," EDITORIAL CONCLUDED.

5. IN DISCUSSING EDITORIAL, MONNOO AND HUSSAIN CONCLUDED IT WAS TYPICAL GOP BROADSIDE DESIGNED TO SAVE FACE, AND NOTHING MORE. THEY DID NOT LOOK UPON IT AS INDICATION THAT LIMITED OFFICIAL USE

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GOVERNMENT WAS SERIOUS ABOUT NATIONALIZATION (FOR THE MOMENT) OR ABOUT "SOCIAL CONTROL," FOR THAT MATTER.

6. COMMENT: WHILE GOP LINE AS EXPRESSED BY FINANCE MINISTER AND PAKISTAN TIMES SEEMS FIRM ENOUGH FROM LAHORE VANTAGE POINT, BOTH MONNOO AND HUSSAIN ARE HARD-HEADED BUSINESSMEN WHO ARE NOT PRONE TO SELF DECEPTION. (LATTEGHIS ALSO PRESIDENT OF LAHORE STOCK EXCHANGE AND PAST PRESIDENT OF LAHORE CHAMBER

OF COMMERCE.) THEY SEEM TO BELIEVE APTMA MEMBERS HAVE STRENGTH
TO OUTLAST GOP, WHICH OF COURSE MAY AMOUNT TO MISPLACED
CONFIDENCE OR MERELY BRAVADO. ALTHOUGH GOP ARGUMENTS THUS
FAR ARE SERIOUSLY DEFICIENT IN ECONOMIC LOGIC, IF GOVERNMENT
SHOULD FIND THAT SOME MILL OWNERS IN FACT PAID LESS THAN ADMITTED
FOR COTTON, CAREFULLY CONSTRUCTED APTMA CASE WON'T BE WORTH
A PLUGGED NICKEL.
GRIFFIN

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